

AMENDED IN SENATE JULY 9, 2009  
AMENDED IN ASSEMBLY JUNE 1, 2009

CALIFORNIA LEGISLATURE—2009–10 REGULAR SESSION

**ASSEMBLY BILL**

**No. 1527**

---

---

**Introduced by Assembly Member Lieu**

February 27, 2009

---

---

An act to amend Section 44283 of, and to add Section 43024 to, the Health and Safety Code, relating to air pollution.

LEGISLATIVE COUNSEL'S DIGEST

AB 1527, as amended, Lieu. Motor vehicle emission reduction projects.

Existing law creates the Carl Moyer Memorial Air Quality Standards Attainment Program and the Goods Movement Emission Reduction Program, which provide state funds to reduce emissions from motor vehicles, as provided.

This bill would require the State Air Resources Board to revise project guidelines to allow funds from specified programs and funding sources to be used for a project also funded under the Carl Moyer Memorial Air Quality Standards Attainment Program or the Goods Movement Emission Reduction Program without those additional public funds being factored into the criteria emission reduction cost-effectiveness calculations under either of those programs.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 43024 is added to the Health and Safety Code, to read:

43024. (a) By January 1, 2011, the state board, in consultation with the State Energy Resources Conservation and Development Commission, shall revise project guidelines to allow funds from all of the following programs or funding sources to be used for a project also funded under the Carl Moyer Memorial Air Quality Standards Attainment Program (Chapter 9 (commencing with Section 44275)) or the Goods Movement Emission Reduction Program (Chapter 3.2 (commencing with Section 39625) of Part 2) without those additional public funds being factored into the criteria emission reduction cost-effectiveness calculations under either of those programs:

(1) Federal funding *from programs designed to reduce greenhouse gas emissions.*

(2) Alternative and Renewable Fuel and Vehicle Technology Program (Article 2 (commencing with Section 44272) of Chapter 8.9).

~~(3) Air Quality Improvement Program (Article 3 (commencing with Section 44274) of Chapter 8.9).~~

(b) Nothing in this section authorizes the expenditure of funds for a project that does not meet all of the requirements of this division, including requirements that require cost sharing or matching of funds. Subdivision (a) does not apply if the additional expenditure would not provide an incremental air quality, or greenhouse gas emission reduction, benefit *greater than what would otherwise be achieved by the program. The state board shall not exclude funds from the cost-effectiveness calculation pursuant to subdivision (a), if excluding those funds would reduce the emission reduction benefits expected to be achieved from the Carl Moyer Memorial Air Quality Standards Attainment Program, the Goods Movement Emission Reduction Program, the Alternative and Renewable Fuel and Vehicle Technology Program, or federal greenhouse gas emission reduction programs.*

SEC. 2. Section 44283 of the Health and Safety Code, as amended by Section 1 of Chapter 627 of the Statutes of 2006, is amended to read:

1 44283. (a) Grants shall not be made for projects with a  
2 cost-effectiveness, calculated in accordance with this section, of  
3 more than thirteen thousand six hundred dollars (\$13,600) per ton  
4 of NO<sub>x</sub> reduced in California or a higher value that reflects state  
5 consumer price index adjustments on or after January 1, 2006, as  
6 determined by the state board. For projects obtaining reactive  
7 organic gas and particulate matter reductions, the state board shall  
8 determine appropriate adjustment factors to calculate a weighted  
9 cost-effectiveness.

10 (b) Only covered emission reductions occurring in this state  
11 shall be included in the cost-effectiveness determination. The  
12 extent to which emissions generated at sea contribute to air quality  
13 in California nonattainment areas shall be incorporated into these  
14 methodologies based on a reasonable assessment of currently  
15 available information and modeling assumptions.

16 (c) The state board shall develop protocols for calculating the  
17 surplus covered emission reductions in California from  
18 representative project types over the life of the project.

19 (d) The cost of the covered emission reduction is the amount  
20 of the grant from the program, including matching funds provided  
21 pursuant to subdivision (e) of Section 44287, plus any other state  
22 funds, or funds under the district's budget authority or fiduciary  
23 control, provided toward the project, not including funds described  
24 in paragraphs (1) to (3), inclusive, and (2) of subdivision (a) of  
25 Section 43024. The state board shall establish reasonable  
26 methodologies for evaluating project cost-effectiveness, consistent  
27 with the definition contained in paragraph (4) of subdivision (a)  
28 of Section 44275, and with accepted methods, taking into account  
29 a fair and reasonable discount rate or time value of public funds.

30 (e) A grant shall not be made that, net of taxes, provides the  
31 applicant with funds in excess of the incremental cost of the project.  
32 Incremental lease costs may be capitalized according to guidelines  
33 adopted by the state board so that these incremental costs may be  
34 offset by a one-time grant award.

35 (f) Funds under a district's budget authority or fiduciary control  
36 may be used to pay for the incremental cost of liquid or gaseous  
37 fuel, other than standard gasoline or diesel, which is integral to a  
38 covered emission reducing technology that is part of a project  
39 receiving grant funding under the program. The fuel shall be  
40 approved for sale by the state board. The incremental fuel cost

1 over the expected lifetime of the vehicle may be offset by the  
2 district if the project as a whole, including the incremental fuel  
3 cost, meets all of the requirements of this chapter, including the  
4 maximum allowed cost-effectiveness. The state board shall develop  
5 an appropriate methodology for converting incremental fuel costs  
6 over the vehicle lifetime into an initial cost for the purposes of  
7 determining project cost-effectiveness. Incremental fuel costs may  
8 not be included in project costs for fuels dispensed from any facility  
9 that was funded, in whole or in part, from the fund.

10 (g) For purposes of determining any grant amount pursuant to  
11 this chapter, the incremental cost of any new purchase, retrofit,  
12 repower, or add-on equipment shall be reduced by the value of  
13 any current financial incentive that directly reduces the project  
14 price, including any tax credits or deductions, grants, or other  
15 public financial assistance. Project proponents applying for funding  
16 shall be required to state in their application any other public  
17 financial assistance to the project.

18 (h) For projects that would repower offroad equipment by  
19 replacing uncontrolled diesel engines with new, certified diesel  
20 engines, the state board may establish maximum grant award  
21 amounts per repower. A repower project shall also be subject to  
22 the incremental cost maximum pursuant to subdivision (e).

23 (i) After study of available emission reduction technologies and  
24 costs and after public notice and comment, the state board may  
25 reduce the values of the maximum grant award criteria stated in  
26 this section to improve the ability of the program to achieve its  
27 goals. Every year the state board shall adjust the maximum  
28 cost-effectiveness amount established in subdivision (a) and any  
29 per-project maximum set by the state board pursuant to subdivision  
30 (h) to account for inflation.

31 (j) This section shall remain in effect only until January 1, 2015,  
32 and as of that date is repealed, unless a later enacted statute, that  
33 is enacted before January 1, 2015, deletes or extends that date.

34 SEC. 3. Section 44283 of the Health and Safety Code, as  
35 amended by Section 2 of Chapter 627 of the Statutes of 2006, is  
36 amended to read:

37 44283. (a) Grants shall not be made for projects with a  
38 cost-effectiveness, calculated in accordance with this section, of  
39 more than twelve thousand dollars (\$12,000) per ton of NO<sub>x</sub>  
40 reduced in California or a higher value that reflects state consumer

1 price index adjustments on or after January 1, 2015, as determined  
2 by the state board.

3 (b) Only NO<sub>x</sub> reductions occurring in this state shall be included  
4 in the cost-effectiveness determination. The extent to which  
5 emissions generated at sea contribute to air quality in California  
6 nonattainment areas shall be incorporated into these methodologies  
7 based on a reasonable assessment of currently available information  
8 and modeling assumptions.

9 (c) The state board shall develop protocols for calculating the  
10 surplus NO<sub>x</sub> reductions in California from representative project  
11 types over the life of the project.

12 (d) The cost of the NO<sub>x</sub> reduction is the amount of the grant  
13 from the program, including matching funds provided pursuant to  
14 subdivision (e) of Section 44287, plus any other state funds, or  
15 funds under the district's budget authority or fiduciary control,  
16 provided toward the project, not including funds described in  
17 paragraphs (1) to (3), inclusive, and (2) of subdivision (a) of  
18 Section 43024. The state board shall establish reasonable  
19 methodologies for evaluating project cost-effectiveness, consistent  
20 with the definition contained in paragraph (4) of subdivision (a)  
21 of Section 44275, and with accepted methods, taking into account  
22 a fair and reasonable discount rate or time value of public funds.

23 (e) A grant shall not be made that, net of taxes, provides the  
24 applicant with funds in excess of the incremental cost of the project.  
25 Incremental lease costs may be capitalized according to guidelines  
26 adopted by the state board so that these incremental costs may be  
27 offset by a one-time grant award.

28 (f) Funds under a district's budget authority or fiduciary control  
29 may be used to pay for the incremental cost of liquid or gaseous  
30 fuel, other than standard gasoline or diesel, which is integral to a  
31 NO<sub>x</sub> reducing technology that is part of a project receiving grant  
32 funding under the program. The fuel shall be approved for sale by  
33 the state board. The incremental fuel cost over the expected lifetime  
34 of the vehicle may be offset by the district if the project as a whole,  
35 including the incremental fuel cost, meets all of the requirements  
36 of this chapter, including the maximum allowed cost-effectiveness.  
37 The state board shall develop an appropriate methodology for  
38 converting incremental fuel costs over the vehicle lifetime into an  
39 initial cost for the purposes of determining project  
40 cost-effectiveness. Incremental fuel costs may not be included in

1 project costs for fuels dispensed from any facility that was funded,  
2 in whole or in part, from the fund.

3 (g) For purposes of determining any grant amount pursuant to  
4 this chapter, the incremental cost of any new purchase, retrofit,  
5 repower, or add-on equipment shall be reduced by the value of  
6 any current financial incentive that directly reduces the project  
7 price, including any tax credits or deductions, grants, or other  
8 public financial assistance. Project proponents applying for funding  
9 shall be required to state in their application any other public  
10 financial assistance to the project.

11 (h) For projects that would repower offroad equipment by  
12 replacing uncontrolled diesel engines with new, certified diesel  
13 engines, the state board may establish maximum grant award  
14 amounts per repower. A repower project shall also be subject to  
15 the incremental cost maximum pursuant to subdivision (e).

16 (i) After study of available emission reduction technologies and  
17 costs and after public notice and comment, the state board may  
18 reduce the values of the maximum grant award criteria stated in  
19 this section to improve the ability of the program to achieve its  
20 goals. Every year the state board shall adjust the maximum  
21 cost-effectiveness amount established in subdivision (a) and any  
22 per-project maximum set by the state board pursuant to subdivision  
23 (h) to account for inflation.

24 (j) This section shall become operative on January 1, 2015.